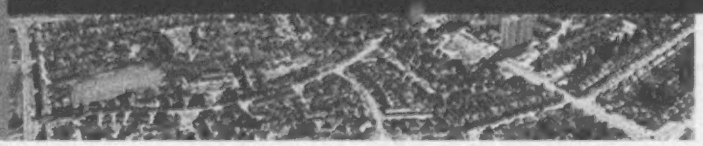
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Hamilton and Brantford CMAs



Canada Mortgage and Housing Corporation

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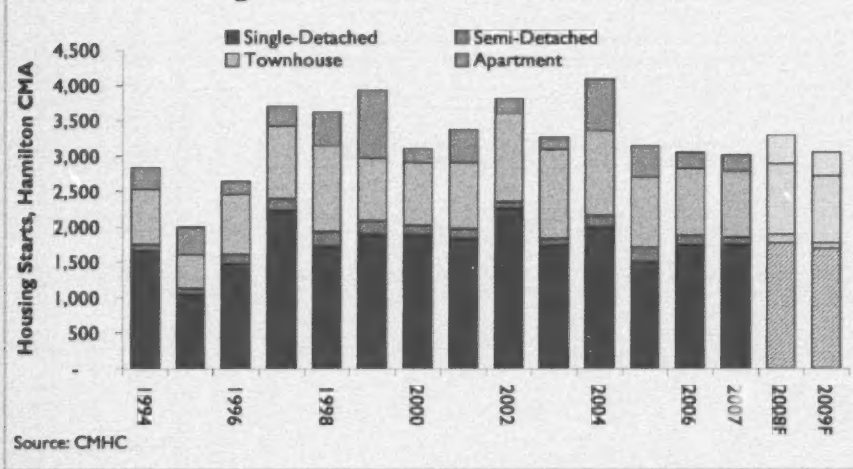
Housing Steady Through to 2009

The Hamilton Census Metropolitan Area's (hereafter referred to as Hamilton) housing market has performed relatively well, in both the resale and new home markets. A growing population thanks in part to a resurgence in net migration last year, and a growing job sector in emerging industries will keep the housing market healthy. However, the resale market is expected to trend towards the lower end of a sellers' market this year as listings move higher and sales moderate in pace. As a result of more choice in the resale market, fewer new home starts are expected in Hamilton next year. The average price of both resale and new homes are expected to continue rising, though at a modest rate.

Figure 1

High Level of Starts This Year in Hamilton



Source: CMHC

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Figure 2

New Home Market

Fewer Starts in 2009

New home starts this year will climb nine per cent to 3,285 starts, due to increases in semi-detached, townhouse and apartment starts. Single-detached starts are expected to remain at the same level as last year. New home starts will decline next year to 3,045 starts, slightly above last year's total.

The change in the selling price of new homes as measured by the New Housing Price Index (NHPI) has grown by more than four per cent annually in Hamilton since 2002. The rising cost of development is one factor that has forced prices up. Consequently, builders are adjusting by constructing less expensive homes to keep home prices affordable for homebuyers. This will include building smaller single-detached homes and more multiple-family home types – semi-detached homes, townhouses and apartments. This inclination toward more construction of higher density home types is supported by recent demographic trends from the latest census which revealed a sharp shift in housing type preference by all age groups, away from single-detached houses to other dwelling types. This trend is expected to continue, particularly since empty nesters, who are interested in downsizing, will increase from just under a quarter of all households currently to over a third in the next 25 years.

Starts are still ahead of household formation which indicates some slowdown in starts is likely over the next five years. By the end of this period, the echo-boomers (children of the baby-boomers) will begin to buy their first homes, leading to a partial rebound in starts.

In Brantford, total home starts will reach 600 this year, an increase of two per cent from last year. However, a drop in single-detached starts in the third quarter has contributed to fewer starts for the year thus far. Over the same period, semi-detached, townhouse, and apartment starts jumped 61 per cent. The average price of a new single-detached home is expected to reach $252,000 in Brantford next year.

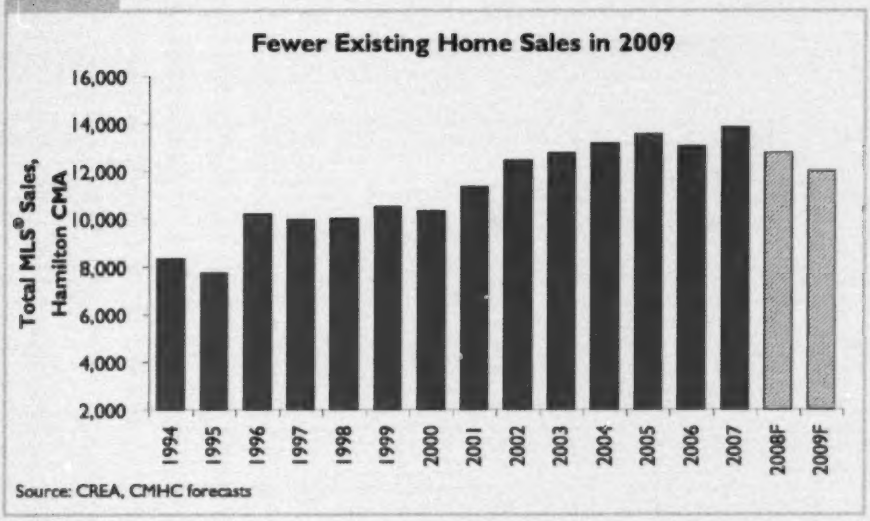
Resale Home Market

Sales to Ease From Record Levels

Despite moderating economic conditions in Hamilton and in the broader Canadian economy this year, the resale market in Hamilton has performed relatively well. Just under 13,000 sales are expected in Hamilton this year - a decrease of 7.7% - and the average price of an existing home is forecast to reach $280,000 – a four per cent increase from last year. It is important to note that 2007 was a peak year in the Hamilton resale market and thus most other years pale in comparison.

In 2009, the resale market will become more balanced. Listings will fall slightly to 19,200 and sales will drop to 12,000. More choice in the resale market will translate into more moderate price growth for next year at just under three per cent. Price growth that falls in line

Figure 3



Source: CREA, CMHC forecasts

with the level of targeted inflation will encourage buyers to continue purchasing homes in the resale market next year.

More moderate price growth expected next year will help support housing demand going forward. Still, there will be some pull back from first time buyers coming from the rental market who generally have lower household incomes than owners. Some of these would-be buyers may choose to remain in the rental market. The vacancy rate is forecast to be 3.6 per cent in 2009.

In Brantford, 2,000 sales of existing homes are expected in 2009 and the average price will rise 2.8 per cent to reach $224,000. Less expensive homes in Brantford as compared to the surrounding area will drive some buyers to this market, though moderate employment growth will put downward pressure on sales.

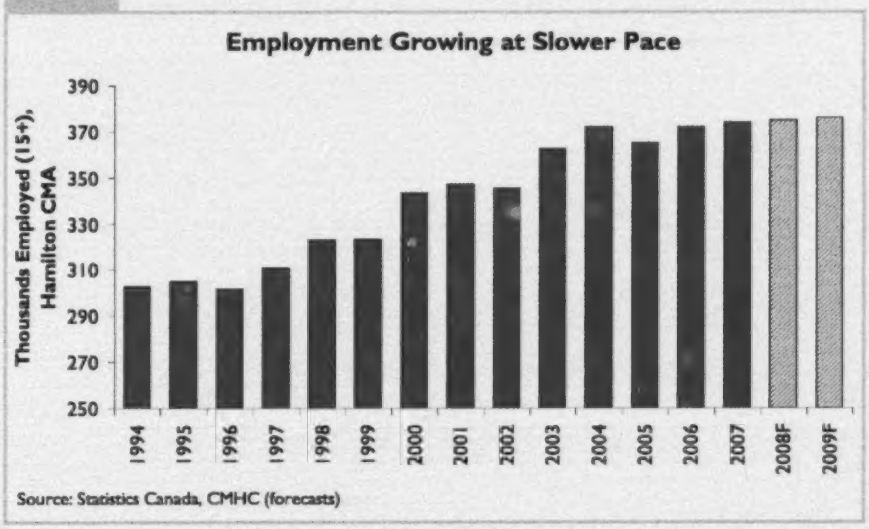
Local Economy

Local Job Market Diversifying

Manufacturing employment in Hamilton has eased off its peak in 2004, when jobs in this sector represented 21 per cent of all jobs. Today, manufacturing employment represents just 14 per cent of all jobs in Hamilton. Despite the drag from manufacturing employment, total employment in Hamilton is at a record level. Also, full-time jobs – a key driver of ownership housing – remain at a steady high. This means that employment in sectors other than manufacturing continues to keep the total unemployment rate in Hamilton under 6.5 per cent.

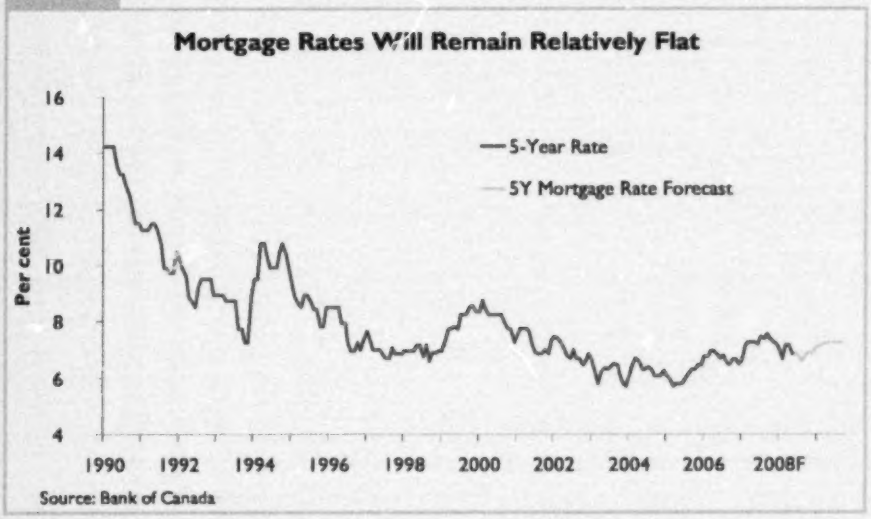
In addition, targeted growth in employment sectors such as health sciences, biotechnology and advanced manufacturing, coupled with public investment in local research institutes has contributed to the diversification of Hamilton's job market. Innovation and developing new industries will help sustain economic growth in Hamilton, and allow it to continue competing in the global economy. Nevertheless, total employment is expected to increase by less than one per cent per year in 2008 and in 2009 in Hamilton.

Figure 4



Source: Statistics Canada, CMHC (forecasts)

Figure 5



Long Term Economic Growth in Brantford

In Brantford, employment is also growing, especially in full-time jobs. Brantford continues to attract business investment through incentive programs and thus is able to retain and create more jobs. Also, Brantford's post-secondary institutions are expanding and thus are expected to attract more people to the area. Long term growth is expected in Brantford given the provincial plans to intensify certain areas of Southern Ontario.

Although the closure of the Daimler AG plant in St. Thomas is expected next year, overall employment is expected to grow modestly in Branford at approximately one per cent per year in each of 2008 and 2009.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast SUMMARY
Hamilton CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	13,565	13,059	13,866	12,800	-7.7	12,000	-6.3
MLS® New Listings	17,646	18,414	18,988	19,200	1.1	19,600	2.1
MLS® Average Price ($)	229,753	248,754	268,857	280,000	4.1	288,000	2.9
New Home Market							
Starts:							
Single-Detached	1,502	1,741	1,761	1,775	0.8	1,685	-5.1
Multiples	1,643	1,302	1,243	145	-88.3	135	-6.9
Semi-Detached	204	138	94	25	-73.4	20	-20.0
Row/Townhouse	1,002	948	922	120	-87.0	115	-4.2
Apartments	437	216	227	0	-100.0	0	n/a
Starts - Total	3,145	3,043	3,004	3,285	9.4	3,045	-7.3
Average Price ($):							
Single-Detached	369,808	392,305	365,357	400,000	9.5	422,000	5.5
New Housing Price Index (% chg.)	5.7	5.5	4.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	4.3	4.3	3.5	3.7	0.2	3.6	-0.1
Two-bedroom Average Rent (October) ($)	791	796	824	855	-	890	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	365,200	371,900	374,000	51,000	-86.4	51,250	0.5
Employment Growth (%)	-1.8	1.8	0.6	0.0	-	0.5	-
Unemployment rate (%)	5.5	5.9	6.0	7.7	-	7.7	-
Net Migration [1]	98,768	68,759	78,217	85,500	9.3	91,900 **	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

Forecast SUMMARY
Brantford CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,204	2,139	2,305	2,150	-6.7	2,000	-7.0
MLS® New Listings	3,072	3,287	3,451	3,600	4.3	3,675	2.1
MLS® Average Price ($)	182,470	198,716	209,151	218,000	4.2	224,000	2.8
New Home Market							
Starts:							
Single-Detached	331	357	466	460	-1.3	450	-2.2
Multiples	203	52	123	145	17.9	135	-6.9
Semi-Detached	4	2	16	25	56.3	20	-20.0
Row/Townhouse	139	47	107	120	12.1	115	-4.2
Apartments	60	3	0	0	n/a	0	n/a
Starts - Total	534	409	589	600	1.9	575	-4.2
Average Price ($):							
Single-Detached	174,035	190,810	222,900	240,000	7.7	252,000	5.0
New Housing Price Index (% chg.) (Ont.)	4.6	3.7	2.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	1.8	2.3	2.9	3.1	0.2	3.1	0.0
Two-bedroom Average Rent (October) ($)	722	712	749	785	-	805	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	49,600	50,600	51,100	51,000	-0.2	51,250	0.5
Employment Growth (%)	5.5	2.0	1.0	0.0	-	0.5	-
Unemployment rate (%)	6.6	6.3	6.2	7.7	-	7.7	-
Net Migration (Ont.) [1]	98,768	68,759	78,217	85,500	9.3	91,900	**

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